Working Paper No. 40

Indian Jute Industry and Trends in the Exports of Jute Manufacturers

A. JOSHI AND V. K. GOEL

GIRI INSTITUTE OF DEVELOPMENT STUDIES
LUCKNOW

Working Paper No. 40

Indian Jute Industry and Trends in theExports of Jute Manufacturers

A. JOSHI AND V. K. GOEL

GIRI INSTITUTE OF DEVELOPMENT STUDIES
LUCKNOW

INDIAN JUTE INDUSTRY AND TRENDS IN THE EXPORTS OF JUTE MANUFACTURES

The Indian Jute Industry has been export oriented for well over a century. However, it has been plagued by problems both on the domestic as well as the international fronts. The industry is faced with three major domestic problems. The first is the problem of fluctuations in the area under Jute cultivation which has subsequently resulted in fluctuation in production. Secondly, the raw Jute cultivators have not been paid a remunerative price for their produce. The fluctuation in area under Jute can partly be explained by the unremunerative price of jute. And finally, the industrialists have not been concentrating their efforts in the field of research and development and rather than thinking in terms of diversification of the industry they have instead been syphoning off the profits and investing them elsewhere. On the international front we find that with the emergence of Bangladesh as a potential competitor in the international market the share of Indian exports has been declining. Moreover, from time to time a number of substitutes have been developed thereby reducing the importance of jute goods particularly for the purpose of packaging. As a result of these various problems the industry today is relying heavily on the domestic market for its sustainance. An attempt has been made in this paper to see the trends in jute exports since the 1960's and also point out the factors

responsible for the prevailent state of affairs of the industry.

Problems of Raw Jute Production

India is the largest producer of raw jute and mesta in the world with Bangladesh following it closely. West Bengal accounts for nearly 62 per cent of the total raw jute production in the country followed by Assam (15%) and Bihar (13%). The important States which cultivate mesta are Andhra Pradesh (43%), West Bengal (18%), Orissa (11%) and Bihar (10%). These four together account for 82 per cent mesta cultivation of the country.

Details of area, production and imports have been given year-wise in Table I, which clearly depicts the fact that area under jute cultivation and the corresponding raw jute production has been subjected to major fluctuations over the years. This has happened primarily because the cultivators have not been given remunerative price for their produce particularly in the years of high production. Consequently, they shifted to rice which is a strong contender for cultivation with jute. The area under cultivation during 1960-61 was 903 thousand hectares and for 1978-79 it was 1,265 thousand hectares, showing an increase in area of over 35 per cent. In between, however, we find years of fluctuations when the area suddenly registered large shortfalls. In 1968-69 for instance, the area was barely 807 thousand hectares and that incidently is the lowest area put under jute cultivation over the two decades covered in the

study. The highest area recorded under jute cultivation was 1,342 thousand hectares during 1961-62 which was almost 50 per cent higher than that of the area of the previous year. The corresponding figures of production, for 1961-62, also registered an increase of over 56 per cent. Unfortunately, the figures for area under production never again reached those achieved during 1961-62 and if we compare these figures with area figures of 1978-79 we find a shortfall of 77 thousand hectares.

Another significant point to observe is that not much has been achieved over these years by way of increasing yield per hectare of jute. For 1960-61 the yield works out to 5.83 bales per hectare and that for 1978-79, 6.56 bales which can hardly be considered an improvement worth talking of. The best yield figures are 7.77 bales for 1971-72 and the worst year was 1968-69 with a yield of 4.75 bales per hectare.

The partition of the sub-continent resulted in most of the jute growing areas going to East Pakistan, now Bangladesh, while a majority of jute mills remained in India. India had then become a net importer of raw jute to the extent of almost 75 per cent of its requirements. Attention was, therefore, diverted to the cultivation of jute within the country as a result of which self sufficiency has nearly been achieved in the field.

As has been the case with area under jute cultivation, we find similar fluctuations in jute imports between 1960-61 and 1966-67. During 1960-61 imports were 416 thousand bales.

Imports were reduced to a bare 116 thousands bales in 1963-64 and then shot up to a record 1,653 thousand bales in 1966-67. These fluctuation can partly be allocated to the level of raw jute production domestically and partly be attributed to the international demand for jute products. After 1967-68 imports have been rather insignificant or even zero except for 1968-69 (600 thousand bales).

Historical Development of Jute Industry in India

The jute industry had been a cottage industry in Bengal dating back to the 17th and 18th centuries. In the latter part of the 18th century jute fibre was sent to UK by the Britishers for investigation into the uses to which it could be put. The first jute mill of the world was established in Dundee, Scotland, in 1834. The first Indian jute mill was started at Rishra near Serampore (12 miles north of Calcutta) for spinning jute yarn in 1854. Weaving machinery was first imported in 1859 and powerloom was started at Baranagore. Thereafter, the jute industry made remarkable progress as demand for jute gunnies and hessian abroad kept rising.

The jute mills in India are mainly concentrated around Calcutta. The major factors that have raised Calcutta to this position of emminence have been :

a) Bengal virtually had the monopoly in raw jute production contributing over 95 per cent of the world's raw jute. Even today West Bengal is the top raw jute producer in the country contributing over 60 per cent of domestic production.

b) The port facilities offered by Calcutta facilitated exports of finished jute products.

c) Cheap labour was easily available from the neighbouring states as well as from Bengal. It is interesting to find that the majority of the jute mill workers hail from outside Bengal.

d) Coal could easily be brought to Calcutta from Raniganj coal fields.

e) This industry was initially developed by Scottish people and the administrative as well as commercial importance of Calcutta was the basic deciding factor for this concentration.*

At the break of the second World War the country had 113 jute mills which were mainly concentrated around Calcutta. At present there are 68 jute mills in India of which 56, i.e. 82 per cent are in West Bengal followed by Andhra Pradesh (4), Uttar Pradesh and Bihar with 3 mills while Madhya Pradesh and Assam have one each.

The installed capacity of the 113 mills existing at the break of the Second World War was about 1.3 million tonnes and utilisation was almost 100 per cent of the total capacity. The present installed capacity of the 68 existing mills is also

*Chaudhuri M.R. : Indian Industries, Development & Location Oxford and IBH Publishing Co., 1965, page 120.

about 1.3 million tonnes per annum while an additional 0.4 lakh tonnes may be created through setting up of three new jute mills in different jute growing states. In 1978-79, however, capacity utilisation was only 70 per cent.

Structure of Jute Products

The jute industry of India made rapid strides initially but it faced various set backs during the two world wars, the great depression and then finally as a result of partition in 1947. To counter these set backs two committies namely the Bengal Jute Industry Committee and the Indian Central Jute Committee were formed in 1932 and 1936 respectively to safeguard the interest of the jute growers and find means to step up exports. Nothing concrete could, however, be achieved.

Hessian and sacking together have been the most important jute products accounting for around 95 per cent of total jute manufactures till around 1959. From around 1958 carpet backing was introduced but Hessian and saking continued to contribute very high percentage (89 per cent) of total jute manufactures in 1960-61 (Table II). Between the two sacking enjoyed a better position and has always contributed a larger chunk of total production except in the year 1963-64 when hessian production was the highest. The predominance of hessian in particular and also sacking has since been reduced and they together accounted for less than 80 per cent by 1978-79.

The boom of the North American Carpet Industry saw the introduction of demand for carpet backing with the result that carpet backing was also making improvement by making higher

contributions to total jute manufactures. The share of other jute manufactures, including carpet backing, have shown an increase from around 11.5 per cent in 1960-61 to around 21.5 per cent by 1978-79 to total jute manufactures.

Trends in Jute Exports

The jute industry was primarily an export oriented industry from the very outset and made tremendous progress following the years of its establishment. This is highlighted by the fact that at the outbreak of the second world war the production of the various jute mills in the country was over a million tonnes annually of which over 90 per cent was being exported.

In 1947-48 there was a sudden spurt in the prices of jute goods and that resulted in a trend towards substitutes entering the world market to capture the vantage position held by jute till then. This led to a decline in the total exports of jute goods. A part of the decline was, however, made good by carpet backing exports mainly to the United States where the carpet industry had assumed a position of importance and was fast expanding.

Another way to bridge the gap between exports and domestic production was tried by exporting these goods to the USSR and other East European countries.

Table III presents trends in the exports of jute goods from 1964-65 onwards. As is evident from the table, there has been a steady decline in the exports. Jute exports constituted

nearly 72 per cent of total production in 1964-65 and this percentage kept falling in the years that followed except in 1970-71 when again it nearly touched the 72 per cent figure achieved in 1964-65. However, after 1970-71 the downward trend was resumed again such that by 1979-80 exports formed barely 40 per cent of the total production.

Looking at the exports of individual jute products we find that hessian and sacking together accounted for around 78 per cent of total exports in 1964-65. The share of carpet backing then was only around 11 per cent. But from 1968-69 onwards carpet backing too has contributed a sizeable percentage of total exports with figures of around 25-30 per cent. The maximum being 36 per cent in 1969-70 and the lowest around 20 per cent in 1974-75. There is, therefore, a shift in total demand of hessian and sacking whose share is now reduced to around 65 per cent. The share of other jute goods has been steady between 7-10 per cent over this period.

Country-wise Exports of Jute Goods

United States has been the principal importer of Indian jute manufactures from the very beginning both in the form of jute bags and carpet backing. Jute bags have been popularly used in the United States for transporting animal feed and potatoes whereas carpet backing gained prominence during the sixties, with the result that jute exports to the U.S. increased from around 33 per cent(of total exports) in 1960-61 to 48 per cent in 1971-72. But we find a declining tendency

after 1972 which by 1977-78 had been reduced to as low as 28 per cent(Table IV). In fact there has been a declining tendency in the total exports of jute goods in general from 1971-72 onwards. While in 1971-72 the value of jute exports was Rs.257.88 crores it was only Rs.185.56 crores in 1976-77 showing a drop of 28 per cent. 1977-78 saw a recovery in exports but even that figure (Rs.226.83 crores) is below the achievement of 1971-72.

Ever since 1965-66 the USSR has also emerged as a potential importer of jute products from India importing 14 per cent of the total Indian exports in 1965-66 as compared to a meagre 2.79 per cent in 1960-61. The share of USSR by 1977-78 stood at 28.46 per cent as compared to 28.70 per cent of the United States.

Australia too has been a steady importer, though on a lower scale, importing around 3-5 per cent of the total jute exports between 1965-66 and 1977-78.

An analysis of the factors responsible for the downfall of the jute industry as a major exporter can be traced to the following factors :

a) Changes in Transportation and Emergence of Substitutes

Over the last two decades there have been shifts in the modes of transportation. Bulk handling has become more popular particularly in the developed countries where commodity production and its processing are geographically distributed, and where labour costs are relatively high.*

*Nayyar, Deepak : India's Exports and Export Policies in the 1960's (Cambridge University Press, 1976)

Moreover, consumer packaging has also developed whereby consumer packages have become increasingly popular. These changes in the techniques of marketing have relegated the use of the jute bags to a position of lesser importance.

Above all, jute bags have had to face severe competition from other materials as well. Multiwall paper, for instance, has been used since the 1950's instead of jute bags since its prices are relatively lower. The only disadvantage that paper bags have is that they are not as sturdy and have no reuse value. Besides paper bags the other substitutes developed have been the plastic bags which were introduced in the early 1960's.

These have been used increasingly particularly in the transportation of chemicals, fertilizers and hy-groscopic materials since they are moisture resistant. However, these substitutes have not been able to eliminate the importance of the jute bags totally.

Even in the case of carpet backing for which jute was extensively used earlier, we find that high density polyethylene has proved a better and cheaper substitute with the result that the importance of jute both for transportation and carpet backing has been loosing ground.

b) Lack of Farsightedness

For the various setbacks received by it, the industry attributes causes like paucity of raw jute supplies and their high prices; power shortages; and the increasing wages of the jute mill workers. Yet a closer inspection will reveal that

the industry has also failed to professionalize its management nor has it gone in for any R & D. The industry has not invested sufficiently into promoting research into high yielding varieties of raw jute or in providing a reasonable support price to cultivators during years of high production. Likewise, during high production years sufficient buffer stocks were not built so as to counter the difficulties during the years of low production. On top of it the Government too did little in providing credit, better seeds and pesticides to the large number of small and marginal cultivators.*

c) Monopolistic Restrictions on Growth

The Indian jute mills Association which is one of the strongest cartels in the country, has under rated international (or recently even domestic) demand factors in its determination of output. High profit margins have been maintained primarily through manipulation of raw jute prices and other manipulative practices.**

Moreover, many jute mill groups have diverted their profits to other industrial areas in search of higher profits rather than reinvesting these amounts on the modernisation of the jute industry. As a contrast to this we have before us the example of Bangladesh which developed better varieties of

---

*Agarwala, P.N. : India's Export Strategy (Vikas Publishing House, 1978) pp 246-47

**Rai, Anil : Trends in Jute Industry Since Independence, Social Scientist, Vol.6, January-February 1978, p.93.

jute and established modern jute mills incorporating the latest technology and have, as a result, been able to capture a large chunk of the international demand for jute products. Consequently, Bangladesh is now exporting almost the same quantity of finished jute goods as India.

The restrictive tendencies can also be seen from the fact that number of lucrative orders have been turned down from countries like Japan, Poland, Australia and the United States because the company concerned has switched over to the production of chemicals instead.*

As a net result of the conditions created either in the international market or by restrictive monopolistic tendencies of the industry the importance of the jute industry as a potential export earner for the economy as a whole has been dwindling steadily. Between 1960-68 it contributed nearly one-fifth of the total export earnings of the country (Table V) whereas it is presently contributing barely 5 per cent to the total exports. Of course, the export base of the country has also become wider over the years and that too has contributed to the lower share coming from the jute industry.

While the importance of the jute industry is not to be underrated in the national perspective, its significance in the case of West Bengal (Eastern India) is higher still. Almost one-fifth of the total population of the state is either directly or indirectly affected by the jute industry. Any set

---

*See 'Trends in the Jute Industry' Social Scientist, January-February 1978, p.94.

back to the jute industry is immediately reflected on the people of West Bengal. The Central and the State Governments as also the industry should, therefore, take positive steps to ensure that the industry enjoys stability otherwise it might meet a similar fate that be fell indigo earlier. It will be equally sad if the industry is reduced to one producing primarily for the domestic market.

What is essential is that a concentrated effort must be put in improving both the quality and the yield per hectare of raw jute. In this case it will be wise to follow the example of Bangladesh which has successfully developed better and high yielding varieties of jute in a relatively short time period.

The industry has been pulling along so far with age old machines whose technology is out moded. This is one of the reasons for the higher cost of production of finished jute goods. Instead of investing the profits of the industry elsewhere it will be better if they were reinvested within the industry so as to modernise the industry and reduce the cost of production. Moreover, a lot of work will have to be done in studying the types of products which have replaced the treditional jute goods in packaging. Once this has been done the industry could then be diversified so as to produce goods to suit the requirement. For instance consumer packaging can be taken care of by producing packaging material of lighter and smaller size. Similarly jute fiber could be blended with other synthetic fibers to produce stronger and lighter packaging and other material.

The government can play a vital role particularly by ensuring uninterupted power supply to the industry. The government can also offer various subsidies as well. So that the

industry may be able to tide over its present problems.

The indifferent attitude of the industrialists suggests that they probably have presumed that the industry has none too bright a future. But then this is too pessimistic an attitude. Instead a more positive approach to the problem is required and efforts in this direction will certainly be able to help the industry. After all, even if the industry has no future as a potential export earner it can very well take care of the domestic requirements particularly in the field of packaging and carpet backing.

Table - I

Area, Production and Imports of Raw Jute (including Mesta)

Year	Area 000 hectares	Production 000 Bales of 180 Kgs. each	Percentage Variation over the previous year		Imports 000 Bales of 180 Kgs. each
			Area	Production	
1960-61	903	5263	-	-	
1961-62	1342	8236	+48.6	+56.5	416
1962-63	1242	7185	- 7.4	-12.8	468
1963-64	1270	7976	+ 2.3	+11.0	293
1964-65	1199	7604	- 5.6	- 4.7	116
1965-66	1110	5778	- 7.4	-24.0	588
1966-67	1119	6579	+ 0.8	+13.9	1209
1967-68	1201	7592	+ 7.3	+15.4	1653
1968-69	807	3837	-32.8	-49.5	-
1969-70	1090	6750	+35.1	+75.9	600
1970-71	1079	6193	- 1.0	- 8.2	-
1971-72	1111	8634	+ 3.0	+10.4	-
1972-73	993	6090	-10.6	-29.5	-
1973-74	1163	7676	+17.1	+26.0	225
1974-75	983	5834	-15.5	-24.0	82
1975-76	915	5914	- 6.9	+ 1.4	119
1976-77	1089	7099	+19.0	+20.0	335
1977-78	1162	7154	+ 6.7	+ 0.8	37
1978-79	1265	8294	+ 8.9	+15.9	-
1979-80*	NA	8028	NA	- 3.2	-

Source : State Bank of India, Monthly Review, June 1980

Table - II

Production of Jute Manufactures : Pattern and Trend
(in 000 tonnes)

Year (July-June)	Hessian	Sacking	Other Manu-factures	Total
1960-61	372 (36.36)	533 (52.10)	118 (11.54)	1023
1961-62	414 (38.73)	509 (47.61)	146 (13.66)	1069
1962-63	515 (42.28)	532 (43.68)	171 (14.04)	1218
1963-64	534 (42.75)	495 (39.63)	220 (17.61)	1249
1964-65	527 (39.92)	574 (43.48)	219 (16.59)	1320
1965-66	488 (39.77)	548 (44.66)	191 (15.57)	1227
1966-67	443 (38.45)	508 (44.10)	201 (17.45)	1152
1967-68	451 (39.53)	458 (40.14)	232 (20.33)	1141
1968-69	317 (34.01)	332 (35.62)	283 (30.36)	932
1969-70	341 (35.23)	377 (38.95)	250 (25.83)	968
1970-71	316 (32.34)	444 (45.45)	217 (22.21)	977
1971-72	331 (29.09)	499 (43.85)	308 (27.07)	1138
1972-73	335 (32.06)	444 (42.49)	266 (25.45)	1045
1973-74	296 (31.59)	376 (40.13)	265 (28.28)	937
1974-75	334 (35.57)	429 (45.69)	176 (18.74)	939
1975-76	283 (24.91)	620 (54.58)	233 (20.51)	1136
1976-77	335 (32.18)	509 (48.90)	197 (18.92)	1041
1977-78	346 (34.33)	444 (45.05)	218 (21.63)	1008
1978-79	267 (29.37)	446 (49.06)	196 (21.56)	909
1979-80	NA	NA	NA	1153

Source : State Bank of India, Monthly Review, June 1980

N.B. : Figures in brackets are percentage to total

Table - III

Production and Exports of Jute Manufactures
(in 000 tonnes)

Year	Production	Exports					Exports as Percentage of Production
		Sacking	Hessian	Carpet Backing	Others	Total	
1964-65	1320	258.7 (27.2)	479.7 (50.5)	109.2 (11.5)	102.6 (10.8)	950.2	71.98
1965-66	1227	248.0 (27.7)	456.2 (51.0)	100.2 (11.2)	90.8 (10.1)	895.2	72.96
1966-67	1152	180.7 (24.7)	360.2 (49.2)	134.2 (18.3)	57.0 (7.8)	732.1	63.55
1967-68	1141	157.1 (20.9)	385.4 (51.3)	150.2 (20.0)	58.7 (7.8)	751.4	65.85
1968-69	932	83.3 (12.8)	310.0 (47.7)	199.5 (30.7)	57.3 (8.8)	650.1	69.75
1969-70	968	55.8 (9.8)	262.7 (46.2)	204.8 (36.0)	45.5 (8.0)	268.8	58.76
1970-71	911	105.4 (16.1)	300.6 (46.0)	189.9 (29.1)	57.2 (8.8)	653.1	71.60
1971-72	1138	149.2 (18.8)	315.6 (39.8)	252.9 (31.9)	74.4 (9.5)	732.8	64.39
1972-73	1045	91.0 (15.7)	256.4 (44.3)	162.6 (28.2)	68.4 (11.9)	578.4	55.35
1973-74	937	91.7 (16.1)	225.2 (39.5)	178.3 (31.3)	74.7 (13.1)	569.9	60.82
1974-75	939	130.4 (22.4)	465.2 (45.5)	199.8 (20.5)	67.8 (11.6)	583.2	62.11
1975-76	1136	76.0 (14.9)	247.0 (48.3)	149.0 (29.2)	39.0 (7.6)	511.0	44.98
1976-77	1041	62.0 (13.8)	248.0 (55.1)	108.0 (24.0)	32.0 (7.1)	450.0	43.23
1977-78	1008	62.0 (12.6)	264.0 (53.4)	130.0 (26.3)	38.0 (7.7)	494.0	49.01
1978-79	909	37.0 (12.3)	158.0 (52.3)	80.0 (26.5)	27.0 (8.9)	302.0	33.22
1979-80	1153	53.0 (11.5)	243.0 (52.8)	134.0 (29.2)	30.0 (6.5)	460.0	39.90

Source : State Bank of India, Monthly Review, June 1980

N.B. : Figures in brackets indicate percentage to total

Table - IV

Country-wise Exports of Jute Goods (Bags and Cloth)

(Rupees in lakhs)

Countries	1960-61	1965-66	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
Australia	1229	886	910	1125	738	1138	927	951	826	759
Canada	742	996	1151	1578	941	970	1004	609	514	469
Cuba	713	29	-	-	-	89	-	-	-	-
Czechoslavakia	7	74	182	231	350	189	493	363	242	373
Iran	52	102	155	175	661	452	1171	496	176	422
Newzealand	84	102	194	316	226	312	668	338	372	237
Sudan	140	234	732	727	495	511	669	174	230	110
UAR	494	1331	1231	337	1171	294	1098	575	372	236
UK	622	685	199	626	416	320	462	481	592	437
USA	4456	7172	7791	12486	9838	9364	7201	7040	5274	6510
USSR	367	2548	3442	3117	5261	3246	5877	6634	4911	6456
Yogoslavia	17	50	170	113	22	20	-	-	-	68
Other Countries	4214	3438	2347	4957	3950	5044	8036	5433	5035	6606
Total	13137	17647	18504	25788	24069	21760	27606	23144	18556	22683

Source : State Bank of India, Monthly Review, June 1980

Table - V

Exports of Jute Manufactures (Pupees in Crores)

Year	Exports of Jute Manufactures	Total Exports	Share of Jute Goods in Total Exports (Cl.2 as % of 3)
1	2	3	4
1960-61	135.15	642.32	21.0
1961-62	144.79	660.34	21.9
1962-63	155.66	685.48	22.7
1963-64	157.42	793.24	19.8
1964-65	168.45	815.30	20.6
1965-66	182.84	805.64	22.7
1966-67	235.44	1094.00	21.5
1967-68	234.09	1198.69	19.5
1968-69	218.01	1357.87	16.1
1969-70	206.65	1413.28	14.6
1970-71	190.44	1535.16	12.4
1971-72	265.28	1608.22	16.5
1972-73	249.97	1970.83	12.7
1973-74	227.47	2523.40	9.0
1974-75	297.00	3304.14	8.9
1975-76	248.31	3941.62	6.3
1976-77	201.00	5146.00	3.9
1977-78	231.00	5404.00	4.3
1978-79	161.00	5726.00	2.8
1979-80	275.00	5999.00	4.5

Source : State Bank of India, Monthly Review, June 1980